



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

May 19, 1998

### **H.R. 2604**

### **Religious Liberty and Charitable Donation Protection Act of 1997**

*As ordered reported by the House Committee on the Judiciary on May 14, 1998*

CBO estimates that enacting H.R. 2604 would have no significant impact on the federal budget. Because enactment of H.R. 2604 would not affect direct spending or receipts, pay-as-you-go procedures would not apply. H.R. 2604 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act of 1995. The bill would have an impact on the budgets of state, local, or tribal governments only if those governments were creditors in a bankruptcy case affected by this bill. However, because of the small number and size of such cases, CBO estimates that the possible budgetary impact of this bill would be minimal.

Under current law, several courts have required that the charitable contributions that a debtor makes within a one-year period prior to declaring bankruptcy be refunded to the debtor's bankruptcy estate. Also, some courts have considered a debtor's contributions to charity as indicating that bankruptcy protection is unnecessary and consequently have dismissed the debtor's petition for bankruptcy. H.R. 2604 would amend federal bankruptcy law to prohibit creditors from seizing certain charitable contributions after an individual declares bankruptcy. This bill also would prohibit bankruptcy courts from considering whether a debtor makes charitable contributions when determining whether to dismiss a petition for bankruptcy.

Based on information from the Administrative Office of the United States Courts, CBO estimates that fewer than 1 percent of all bankruptcy cases that consumers file involve the contested issue of charitable contributions made by a debtor. Enacting H.R. 2604 could increase the workload of the courts and U.S. trustees if fewer cases are dismissed. At the same time, the bill could decrease the workload of the courts and U.S. trustees if less time is spent questioning charitable contributions and ordering charitable organizations to return such contributions. Although CBO is not certain whether the net impact of the bill would be a savings or a cost, we expect that any impact would be negligible because H.R. 2604 would affect so few cases. Because CBO estimates that enacting H.R. 2604 would not affect

the total number of cases initially filed and the level of filing fees (which are recorded as governmental receipts and as offsetting collections to the U.S. Trustee System Fund), we estimate that pay-as-you-go procedures would not apply.

The CBO staff contacts for this estimate are Susanne S. Mehlman (for federal costs), and Leo Lex (for the state and local impact). This estimate was approved by Paul N. Van de Water, Assistant Director for Budget Analysis.